

**ORIGINAL**

**OPEN MEETING**



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**MEMORANDUM RECEIVED**

Arizona Corporation Commission

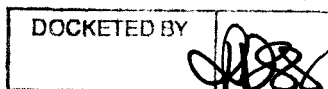
**DOCKETED** 2011 MAY 25 P 3:15

TO: THE COMMISSION

MAY 25 2011

AZ CORP COMMISSION  
DOCKET CONTROL

FROM: Utilities Division



DATE: May 25, 2011

RE: UNS ELECTRIC INC. - APPLICATION FOR APPROVAL OF REVISED PRICING  
PLAN RIDER-3 MARKET COST OF COMPARABLE CONVENTIONAL  
GENERATION (DOCKET NO. E-04204A-11-0131)

**Background**

On March 24, 2011, UNS Electric, Inc ("UNSE" or "Company") filed an application for approval of its revised Pricing Plan Rider-3 Market Cost of Comparable Conventional Generation ("MCCCG"). UNSE's Pricing Plan Rider-3 specifies a standard rate to be paid for purchases of excess energy from Net Metering ("NM") Facilities.

The Commission's Decision No. 71412 approving UNSE's Net Metering tariff ("NM-PRS") stated:

Each calendar year, for the customer bills produced in October (September usage) or a customer's "Final" bill, the Company would credit the Customer for the balance of excess kWhs remaining. The payment for the purchase of these excess kWhs would be at the Company's applicable avoided cost. UNSE has defined its avoided cost as the average hourly market cost of comparable conventional generation as specified on its proposed Pricing Plan Rider-3 applicable to the NM-PRS. The proposed Rider-3 indicates that the MCCCG will be filed annually (by April 1) by UNSE for approval by the Commission.

**Proposed Tariff**

UNSE's proposed revision to Pricing Plan Rider-3 would decrease the MCCCG and therefore decreases the avoided cost rate from 4.11¢ per kWh to 3.9791¢ per kWh for purchases of excess energy from Net Metering Facilities.

Staff has reviewed UNSE's hourly marginal costs that resulted in the 3.9791¢ rate and finds the data and calculations to be reasonable.

**Recommendations**

Staff recommends that UNSE's revised Pricing Plan Rider-3 (MCCCG) as applicable to Pricing Plan Rider-4 NM-PRS be approved.

Staff further recommends that UNSE file a Pricing Plan Rider-3 consistent with the Decision in this case within 30 days of the effective date of the Decision.



Steven M. Olea  
Director  
Utilities Division

SMO:JJP:lhv\SH

ORIGINATOR: Jeffrey Pasquinelli

1                                    **BEFORE THE ARIZONA CORPORATION COMMISSION**

2    GARY PIERCE  
     Chairman

3    BOB STUMP  
     Commissioner

4    SANDRA D. KENNEDY  
     Commissioner

5    PAUL NEWMAN  
     Commissioner

6    BRENDA BURNS  
     Commissioner

8    IN THE MATTER OF THE APPLICATION )  
9    OF UNS ELECTRIC, INC. FOR APPROVAL )  
10   OF REVISED PRICING RIDER-3 MARKET )  
11   COST OF COMPARABLE )  
12   CONVENTIONAL GENERATION )  
13   \_\_\_\_\_ )

DOCKET NO. E-04204A-11-0131

DECISION NO. \_\_\_\_\_

ORDER

12   Open Meeting  
13   June 21 and 22, 2011  
14   Phoenix, Arizona

14   BY THE COMMISSION:

15                                    FINDINGS OF FACT

16            1.     UNS Electric, Inc. ("UNSE" or "Company") is certificated to provide electric  
17   service as a public service corporation in the State of Arizona.

18            2.     On March 24, 2011, UNSE filed an application for approval of its revised Pricing  
19   Plan Rider-3 Market Cost of Comparable Conventional Generation ("MCCCG"). UNSE's Pricing  
20   Plan Rider-3 specifies a standard rate to be paid for purchases of excess energy from Net Metering  
21   Facilities.

22            3.     The Commission's Decision No. 71412 approving UNSE's Net Metering tariff  
23   ("NM-PRS") stated:

24            Each calendar year, for the customer bills produced in October (September usage) or a  
25   customer's "Final" bill, the Company would credit the Customer for the balance of excess  
26   kWhs remaining. The payment for the purchase of these excess kWhs would be at the  
27   Company's applicable avoided cost. UNSE has defined its avoided cost as the average  
28   hourly market cost of comparable conventional generation as specified on its proposed  
Pricing Plan Rider-3 applicable to the NM-PRS. The proposed Rider-3 indicates that the  
MCCCG will be filed annually (by April 1) by UNSE for approval by the Commission.

28   ...

**Proposed Tariff**

4. UNSE's proposed revision to Pricing Plan Rider-3 would decrease the MCCCCG and therefore decreases the avoided cost rate from 4.11¢ per kWh to 3.9791¢ per kWh for purchases of excess energy from Net Metering Facilities.

5. Staff has reviewed UNSE's hourly marginal costs that resulted in the 3.9791¢ rate and finds the data and calculations to be reasonable.

**Recommendations**

6. Staff has recommended that UNSE's revised Pricing Plan Rider-3 (MCCCCG) as applicable to Pricing Plan Rider-4 NM-PRS be approved.

7. Staff has further recommended that UNSE file a Pricing Plan Rider-3 consistent with the Decision in this case within 15 days of the effective date of the Decision.

**CONCLUSIONS OF LAW**

1. UNSE is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over UNSE and over the subject matter of the application.

3. Approval of Pricing Plan Rider-3 does not constitute a rate increase as contemplated by A.R.S. Section 40-250.

4. The Commission, having reviewed the application and Staff's Memorandum dated May 25, 2011, concludes that the revised Pricing Plan Rider-3 should be approved as discussed herein.

**ORDER**

IT IS THEREFORE ORDERED that UNS Electric, Inc.'s revised Pricing Plan Rider-3 be and hereby is approved as discussed herein.

IT IS FURTHER ORDERED that the avoided cost rate of 3.9791¢ per kWh shall be effective as of June 1, 2011.

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1 IT IS FURTHER ORDERED that UNS Electric, Inc. shall file a revised tariff consistent  
2 with this Decision, with Docket Control as a compliance matter to this docket, within 30 days of  
3 the effective date of this Decision.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5  
6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

7  
8 \_\_\_\_\_  
9 CHAIRMAN

COMMISSIONER

10  
11 \_\_\_\_\_  
12 COMMISSIONER

COMMISSIONER

COMMISSIONER

13 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,  
14 Executive Director of the Arizona Corporation Commission,  
15 have hereunto, set my hand and caused the official seal of  
16 this Commission to be affixed at the Capitol, in the City of  
17 Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

18 \_\_\_\_\_  
19 ERNEST G. JOHNSON  
20 EXECUTIVE DIRECTOR

21 DISSENT: \_\_\_\_\_

22 DISSENT: \_\_\_\_\_

23 SMO:JJP:lhms\SH  
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1 SERVICE LIST FOR: UNS Electric, Inc.  
2 DOCKET NO. E-04204A 11-0131

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